

STATE OF WASHINGTON
**OFFICE OF
INSURANCE COMMISSIONER**
**BEFORE THE INSURANCE COMMISSIONER
OF THE STATE OF WASHINGTON**

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In the Matter of)	CONSENT AND ORDER TO LEVY FINE
Foremost Insurance Company,		
Foremost Signature Company,		
American Federation Insurance)	D 99-72
Company, Foremost Property and		
Casualty Company,		
Authorized Insurers.)	
)	

FINDINGS:

1. Foremost Insurance Company, founded in 1952, Foremost Signature Insurance Company, founded in 1982, American Federation Insurance Company, founded in 1983, and Foremost Property and Casualty Insurance Company, founded in 1984, ("Foremost Companies") are members of the Foremost Corporation of America, an insurance holding company. The companies are licensed to write property, casualty, marine transportation, vehicle and surety insurance in Washington State.
2. The Office of the Insurance Commissioner ("OIC") performed a Market Conduct Examination of the Foremost Companies with respect to policies issued in the State of Washington and claims closed for Washington insureds from June 1, 1997 through May 31, 1998.
3. On March 22, 1999, a Report ("the Report") setting forth Findings, Conclusions, and Orders with respect to the above-referenced Market Conduct Examination was adopted by the Insurance Commissioner.

4. The Report found the following facts to be true during the period covered by the Report:
5. The Claims Department of the Foremost Companies was using forms and letterhead that did not identify the actual insurer.
6. Policy #063242-7552 was not delivered to the policyholder in a reasonable amount of time.
7. Investigations of claims on nine policies (numbers 5876737, 5795648, 5790525, 5781812, 5800400, 5761439, 5800818, 5803372, and 5748469), were unreasonably delayed beyond 30 days.
8. Policy numbers 103-0617417765, 103-0621212556, 103-0626132360 and 104-0627171871 were not renewed because the agent and the Foremost Companies terminated their relationship.
9. The non-renewal notices to the policyholders of policy numbers 104-062572409-4, 104-062402272-2 and 104-062827085-6 failed to communicate to the insured the reason for non-renewal. The non-renewal notice to the policyholder of policy number 104-603411067-0 listed 3 losses as the reason for non-renewal, one of which was described as "miscellaneous."
10. .When policy number 104-0626357152-96 was canceled at the request of the insured, the unearned premium was sent to the mortgage company rather than the insured, pursuant to the general business practice of the Foremost Companies.
11. . The Foremost Companies did not replace some claim checks until the check was returned to them for re-issue or until the stop payment notice had been in place for 60 days.
12. . The claim files for policies number 5871254, 5876737, and 5795648 did not contain all notes and work papers pertaining to the claim in such detail that pertinent events and their dates could be reconstructed.

CONCLUSIONS:

1. The Foremost Companies' failure to use their legal names on all correspondence constitutes numerous violations of RCW 48.05.190(1).
2. The Foremost Companies' failure in one of the claim files examined, to deliver policy number 063-242-7552 within a reasonable time constitutes a minimum of one violation of RCW 48.18.260(1).
3. The Foremost Companies' nine unreasonable failures to complete their claim investigations within 30 days in the claim files examined constitute a minimum of nine violations of WAC 284-30-370.
4. The Foremost Companies' four failures in the claim files examined, to renew policy numbers 103-0617417765, 103-0621212556, 103-0626132360 and 104-0627171871 because the agent and companies terminated their contractual relationship constitute a minimum of four violations of RCW 48.17.591(1).
5. The Foremost Companies' four failures, in the claim files examined, to communicate the reasons for non-renewal to the holders of policy numbers 104-062572409-4, 104-062402272-2 and 104-062827085-6, constitute a minimum of four violations of WAC 284-30-570.
6. The Foremost Companies' failure, in the claim files examined, to return the unearned portion of the premium to the insured under policy number 104-0626357152-96 constitutes a minimum of one violation of RCW 48.18.300 (2).
7. The Foremost Companies' failure in many of the claim files examined, to

replace claim checks until the check was returned to them for re-issue or until the stop payment notice had been in place for 60 days was not adoption and implementation of a reasonable standard for the payment of claims and constitutes numerous violations of WAC 284-30-330(16).

8. The Foremost Companies' failure in 3 of the claim files examined, to keep notes and work papers pertaining to those claims in such detail that pertinent events and the dates of such events could be reconstructed constitutes a minimum of three violations of WAC 284-30-340.

CONSENT TO ORDER

The Foremost Companies hereby admit to the foregoing Findings and Conclusions.

The Commissioner has offered a settlement in lieu of suspending or revoking the Foremost Companies' certificates of registration.

By agreement of the parties, the OIC will impose a fine of \$14,500.

This fine must be paid in full within thirty days of the entry of this Order. Pursuant to RCW 48.44.166, failure to pay the fine within the allotted time shall constitute grounds for revocation of the insurer's certificate of registration, and for the recovery of the fine in a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

EXECUTED and AGREED this _____ day of _____, 1999.

FOREMOST INSURANCE COMPANY

Title: _____

Signed: _____

FOREMOST SIGNATURE INSURANCE COMPANY

Title: _____

Signed: _____

AMERICAN FEDERATION INSURANCE COMPANY

Title: _____

Signed: _____

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FOREMOST PROPERTY AND CASUALTY INSURANCE COMPANY

Title: _____

Signed: _____

ORDER:

Pursuant to RCW 48.44.166, the Insurance Commissioner hereby imposes a fine of Fourteen Thousand, Five Hundred Dollars upon Foremost Insurance Company, Foremost Signature Insurance Company, American Federation Insurance Company, and Foremost Property and Casualty Insurance Company. The fine must be paid in full within thirty days of the date of entry of this order. Failure to pay the fine within the allotted time shall constitute grounds for the revocation of the certifications of registration for those companies in a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

ENTERED AT OLYMPIA, WASHINGTON, this _____ day of _____, 1999.

DEBORAH SENN

Insurance Commissioner

By: _____

Carol Sureau

Enforcement Attorney

Office of the Insurance Commissioner